



## 2012-14 Business Plan



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## From the Desk of CalPERS CEO Anne Stausboll

On behalf of the dedicated employees and Executive Team of the California Public Employees' Retirement System (CalPERS), I am pleased to present the CalPERS 2012-14 Business Plan.

During these times of volatility in the investment, retirement and health care environment, it is important to be clear about our public purpose, business direction and operational priorities. The CalPERS 2012-14 Business Plan provides this clarity, along with a strong foundation for anticipating current and future risks and opportunities. This Business Plan is a departure from previous years in that it sets a business direction for two years rather than one. Looking at industry best practices and the reality of the scope of change facing us, it is important to take a long-term view, building the capacity to effectively plan and manage multi-year programs. Integral to that effort, the CalPERS Board of Administration released a new five-year Strategic Plan in the fall of 2012 that will guide the development of future Business Plans. The current 2012-14 Business Plan has been aligned to the intent and performance objectives of the new CalPERS Strategic Plan.

The 2012-14 Business Plan is focused on three strategic areas: *A) Improve long-term pension and health benefit sustainability; B) Cultivate a high-performing, risk-intelligent and innovative organization; C) Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs.* For each strategic goal, Executive Leadership has identified specific, achievable objectives and initiatives that will measure progress for the next two years toward achieving CalPERS' mission and vision. This Business Plan will focus on our business operations and performance, and align with the mission and vision set by the CalPERS Board of Administration in our Strategic Planning process.

Our core values of *Quality, Respect, Accountability, Integrity, Openness, and Balance* continue to guide our progress and play a fundamental role in shaping our long-term strategies as we work together to accomplish our goals. This comprehensive Business Plan will support our future operations and help us accomplish our goals. As we rise to meet the challenges ahead, we will continue to provide retirement and health security to our members and employers.

We look forward to implementing this Business Plan and to working with our stakeholders to serve our members, employer agencies, and the State of California. We serve those who serve California.

Anne Stausboll  
Chief Executive Officer



## CalPERS Vision, Mission, and Core Values

For more than eight decades, CalPERS has built retirement and health security for people who invest their lifework in the State. We are proud to serve those who serve California.

Each of the CalPERS Strategic Goals tie to the following CalPERS Vision, Mission, and Core Values:

### CalPERS Vision

A trusted leader respected by our members and stakeholders for our integrity, innovation and service

### CalPERS Mission

Provide responsible and efficient stewardship of the System to deliver promised retirement and health benefits, while promoting wellness and retirement security for members and beneficiaries

### CalPERS Core Values

Quality | Respect | Accountability | Integrity | Openness | Balance

## Business Plan Development Process

The current CalPERS 2012-14 Business Plan has been aligned with the CalPERS 2012-17 Strategic Plan. During the alignment process, Business Plan initiatives were moved to align with the new Strategic Plan goals. As a result, nine new initiatives were added and some of the current Business Plan initiatives were combined to create new initiatives.

With a focus on ensuring leadership accountability, the business plan development process is an Executive-led approach to establishing priorities, objectives, and initiatives for the enterprise. The main goal of this process is to focus the organization on identifying the critical work needed to make tangible progress in achieving the Vision, Mission, and Core Values at CalPERS.

Each business plan will cover two fiscal years and a new plan will be developed every two years based on the Strategic Plan goals. The Chief Executive Officer provides direction and long-term focus to Executive Staff for development of enterprise goals and objectives. Planning workshops are then conducted with the Chief Executive Officer and Executive Staff to develop the business plan initiatives, action plans, and cross-functional teams to complete the initiatives. Throughout the process, Senior Leadership and other key staff communicate business area needs, resourcing impacts, and risks to the Chief Executive Officer and Executive Staff.



## Business Plan Development Process (cont.)

### Strategic Goals

The CalPERS 2012-14 Business Plan includes three essential Strategic Goals. For each of these goals, Executive Staff and the Senior Leadership team identify specific and achievable initiatives for the next two fiscal years. The business planning process concludes with the Chief Executive Officer and Executive Staff presenting the proposed plan to the Finance and Administration Committee for CalPERS Board of Administration approval. Periodic business plan progress updates are presented at the Finance and Administration Committee.

**Goal A** – Improve long-term pension and health benefit sustainability

**Goal B** – Cultivate a high-performing, risk-intelligent and innovative organization

**Goal C** – Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs

### CalPERS Strategic Plan-Business Plan Development Structure





## Overview of Strategic Objectives

### Goal A – Improve long-term pension and health benefit sustainability

#### Strategic Objectives

- Fund the System through an integrated view of pension assets and liabilities
- Deliver target risk-adjusted investment returns
- Educate employers and other stakeholders to make informed decisions about retirement security and health care
- Ensure high-quality, accessible and affordable health benefits
- Create a lifestyle of wellness among members and employers

### Goal B – Cultivate a high-performing, risk-intelligent and innovative organization

#### Strategic Objectives

- Use a focused approach to generate, test, refine, and implement new ideas
- Deliver superior end-to-end customer service that is adaptive to customer needs
- Recruit, retain, develop, and empower a broad range of talents against organizational priorities
- Actively manage business risks with an enterprise-wide view

### Goal C – Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs

#### Strategic Objectives

- Clarify and communicate CalPERS perspective on pension, health, and financial markets
- Provide education and engagement opportunities to shape policy agenda and expand impact



## Goal A – Improve long-term pension and health benefit sustainability

### Strategic Objective – Fund the System through an integrated view of pension assets and liabilities

#### Desired Outcomes

- Identified pension funding risk tolerance
- Actuarial policies and asset allocations in line with accepted risk tolerance
- Clear communication of balance between funded status, contribution rates, and volatility

**Strategic Initiative** – Actively manage and assess funding risk through an asset liability management framework to guide investment strategy and actuarial policy

#### Business Plan Initiatives

**Actuarial Policies Update** – Update actuarial amortization and rate smoothing policies (1.1 - April 2013)

**Funding Risk Appetite/Tolerances** – Develop with the Board funding risk appetite / tolerances (1.2 - April 2013)

**Enhanced Asset Liability Framework** – Enhance asset liability framework to explicitly incorporate inflation linkage between assets and liabilities (1.3 - August 2013)

**New Asset Allocation** – Conduct asset allocation workshop and implement new asset allocation based on asset liability considerations (1.4 - June 2014)

**Pension Reform Implementation** – Clarify and define Pension Reform legislation, statutes, and regulations for implementation into all CalPERS policies, processes, and systems including revising and changing member rates, enhancing our external website, developing staff training, and building myCalPERS functionality (1.5 - January 2013)

### Strategic Objective – Deliver target risk-adjusted investment returns

#### Desired Outcomes

- Deliver target risk-adjusted investment performance at the total fund level and in each asset class
- Increased operational efficiencies and cost effectiveness for investments
- Enhanced integrity and analysis of investment office data
- A culture that proactively identifies and acts to minimize risk exposure



## Goal A – Improve long-term pension and health benefit sustainability (cont.)

**Strategic Initiative** – Implement programs and initiatives that improve investment performance and ensure effective systems, operations and controls are in place

### Business Plan Initiatives

**Investment Performance** – Deliver consistent risk-adjusted investment returns (2.1 - June 2014)

**Capital Allocation** – Implement a risk based, dynamic asset allocation approach (2.2 - June 2014)

**Investment Risk Management** – Establish a comprehensive portfolio risk management system and practices to measure, manage, and communicate investment risks (2.3 - June 2014)

**Cost Effectiveness** – Enhance cost effectiveness of the investment program to improve net returns on assets (2.4 - June 2014)

**Organization, Systems, and Controls** – Design and implement an integrated Investment Office target operating model that incorporates improved reporting on the performance, cost and diversity of emerging manager programs (2.5 - June 2014)

**Emerging Investment Manager Strategy** – Draft a five-year plan to provide opportunities for participation of emerging investment managers across all asset classes (2.6 - June 2013)

**Environmental, Social, Governance (ESG) Investment Strategy** – Develop a total fund process for integrating sustainability issues (2.7 - June 2014)

**Strategic Objective** – Educate employers and other stakeholders to make informed decisions about retirement security and health care

### Desired Outcomes

- Stable Long-Term Care rates
- Low Long-Term Care investment volatility
- Clear road to the Long-Term Care program reopening
- Improved presence, voice and information sharing with stakeholder groups
- Determine and implement services provided to employers regarding Governmental Accounting Standards Board (GASB) 68
- Increased transparency and communication of risks associated with asset liability management



## Goal A – Improve long-term pension and health benefit sustainability (cont.)

**Strategic Initiative** – Provide employers and other stakeholders with thorough, risk-based information about the expected course and variability of future pension contribution requirements

### Business Plan Initiatives

**GASB 67 & 68** – Make necessary changes to systems, processes, and procedures to conform to transparency and disclosure revisions to GASB statements 67 & 68 (3.1 - June 2014)

**Sensitivity Analysis and Termination Liabilities** – Include Sensitivity Analysis and Termination Liabilities in annual actuarial valuation reports for public agencies (3.2 - November 2012)

**Strategic Initiative** – Expand member and employer access to information regarding the cost and quality of health care and ways to impact those trends

### Business Plan Initiative

**Health Care Customer Resources** – Provide members with useful information and tools that lead to shared decision-making for our members and employers (3.3 - June 2014)

**Strategic Initiative** – Provide existing and prospective Long-Term Care (LTC) Program policy holders with premium and other information to improve decision making

### Business Plan Initiatives

**LTC Strategy Development** – Develop and present strategies to the Board, including asset allocation and program modifications, designed to stabilize member rates and sustain the program over time (3.4 - June 2013)

**LTC Strategy Implementation** – Implement Board-approved strategies (3.5 - June 2014)

## Strategic Objective – Ensure high-quality, accessible and affordable health benefits

### Desired Outcomes

- Strong health information technology infrastructure and sustainability of health programs
- Reduced incidence of disease and unwarranted care to improve health cost trends
- Increased number of covered lives



## Goal A – Improve long-term pension and health benefit sustainability (cont.)

**Strategic Initiative** – Implement new approaches and expand efforts already proven to reduce health care costs and improve health outcomes, including changing how we contract with health plans

### Business Plan Initiatives

**Health Benefits Purchasing Review Procurement Strategies** – Implement the initial elements of the Health Benefits Purchasing Review, developing and releasing a tailored HMO and PPO procurement that creates a competitive, cost-efficient, member-engaged health benefits program (4.1 - June 2013)

**Health Benefit Purchasing Structure** – Communicate and implement changes to health benefit purchasing structure (4.2 - June 2014)

## Strategic Objective – Create a lifestyle of wellness among members and employers

### Desired Outcome

- Reduced incidence of disease and unwarranted care to improve health cost trends

**Strategic Initiative** – Establish partnerships that focus on increasing public and private sector focus on wellness

### Business Plan Initiative

**Employer Wellness Partnerships** – Establish partnerships based on a comprehensive wellness strategy that provides tools for employers to engage their employees (5.1 - June 2013)

**Strategic Initiative** – Develop and administer an independent wellness platform that ensures the active engagement of employees and employers

### Business Plan Initiative

**Engaged Health and Wellness Platform** – Utilize evidence based programs with outcomes and measurement to create an independent wellness platform with flexible options that engages employees, members and providers (5.2 - June 2014)



## Goal B – Cultivate a high-performing, risk-intelligent and innovative organization

### Strategic Objective – Use a focused approach to generate, test, refine, and implement new ideas

#### Desired Outcomes

- Enhanced consistency and quality of communication between divisions
- Capacity to coordinate implementation of health reform

**Strategic Initiative** – Adopt methodologies that empower staff to quickly test, vet and refine ideas that improve internal and external performance and service

#### Business Plan Initiatives

**Center for Innovation** – Operationalize the Center for Innovation to incubate new, and evaluate effectiveness of existing, health and retirement programs (6.1 - June 2013)

**Enterprise Content Management** – Implement an Enterprise Content Management system to centralize enterprise content, improve content structure and establish governance process to improve Intranet usability (6.2 - June 2014)

**Enterprise Internal Innovation** – Create an enterprise and employee-focused strategy to inspire, invent, and implement innovative ideas (6.3 - June 2013)

### Strategic Objective – Deliver superior end-to-end customer service that is adaptive to customer needs

#### Desired Outcomes

- In-depth business intelligence data analysis and enhanced reporting for line and senior management
- Increased utilization of self-service capabilities
- Improved efficiency, timeliness and quality in core business processes
- Increased customer satisfaction
- Timely customer service



## Goal B – Cultivate a high-performing, risk-intelligent and innovative organization (cont.)

**Strategic Initiative** – Enhance business processes to achieve high-quality, timely, effective and efficient customer service delivery to our members and employers

### Business Plan Initiatives

**Member Self-Service** – Implement my|CalPERS member self-service releases (7.1 - January 2013)

**Service Delivery Transformation** – Develop a three-year roadmap and implementation plan for service delivery transformation, and complete identified milestones (7.2 - June 2014)

**my|CalPERS Efficiencies** – Align identified core business processes with the my|CalPERS system efficiencies and maximize the full capabilities of the technology (7.3 - June 2014)

**my|CalPERS Enhancements** – Expand customer and staff capabilities through ongoing enhancements to my|CalPERS computer systems (7.4 - June 2014)

**Backlog Reduction Strategies** – Develop and implement strategies to decrease backlogs in core business areas (7.5 - June 2013)

**Strategic Initiative** – Promote the use of business intelligence throughout the organization to optimize customer service and delivery

### Business Plan Initiative

**Business Intelligence** – Implement a business intelligence service that uses customer service delivery data to improve member and employer service delivery (7.6 - June 2013)

**Strategic Objective – Recruit, retain, develop and empower a broad range of talents against organizational priorities**

### Desired Outcomes

- Reduced time to fill vacancies through online application process
- Identification and management of talent pools
- Continuous development of leadership talents
- A high-performance and healthy organization and culture
- Effective transition of consultant services to staff, to reduce future costs and provide organizational expertise
- Increased integration of diversity and inclusion in all aspects of CalPERS operations
- Operational efficiencies and extensive reporting capabilities



## Goal B – Cultivate a high-performing, risk-intelligent and innovative organization (cont.)

**Strategic Initiative** – Develop and implement a comprehensive talent management strategy that includes recruitment, knowledge transfer, succession planning, and a methodology to regularly gauge employee satisfaction

### Business Plan Initiatives

**Knowledge Transfer, Insourcing, and Consultant Reduction** – Develop staff competencies and encourage insourcing by transferring workload from consultants to State staff, resulting in a reduction in consultant expenditures of five percent each fiscal year (8.1 - June 2014)

**Workforce Strategic Plan** – Create an enterprise-wide, five-year strategic workforce development and implementation plan that incorporates Executive succession planning, an automated Human Resources system, staff training for my|CalPERS, leadership continuity and mentoring, and talent management (8.2 - June 2014)

**Diversity and Inclusion** – Develop and implement strategies that integrate, sustain and enhance Diversity and Inclusion competencies for staff and enhance the diversity of legal services provided to the System (8.3 - December 2013)

**CFO Classification and Structure** – Language pending from new CFO (8.4 – June 2013)

## Strategic Objective – Actively manage business risks with an enterprise-wide view

### Desired Outcomes

- Improved security of CalPERS information assets
- Increased efficiency and reduced outsourcing of investigations and compliance monitoring
- Increased protection against fraud, waste, and abuse
- Reduced exposure to legal liability
- Performance dashboard to support effective governance of CalPERS
- Efficient and accurate cash management
- Appropriate reconciliation and allocation of investment expenses
- Efficient use of investment expenses
- Timely and accurate management financial reports



## Goal B – Cultivate a high-performing, risk-intelligent and innovative organization (cont.)

**Strategic Initiative** – Develop a robust risk-intelligent culture through enhanced governance, risk assessment and mitigation, and collaboration with stakeholders

### Business Plan Initiatives

**Technology Security Improvements** – Reduce security risks and vulnerabilities through improving protection from malicious internet threats, enhancement of data loss prevention technologies, security for mobile devices, and proactive security assessment processes (9.1 - June 2013)

**Personal Trading Platform** – Implement Personal Trading Platform (9.2 - January 2013)

**Investigation Process & Tools** – Develop and implement CalPERS streamlined investigations process and tools (9.3 - June 2013)

**Policy Repository and Compliance** – Implement policy repository to guide compliance activities (9.4 - June 2013)

**Performance Management Dashboard and Metrics** – Develop enterprise performance management dashboard and metrics (9.5 - March 2013)

**Financial Reports** – Develop and implement monthly close for internal financial reports for the organization (9.6 - June 2013)

**Cash Management** – Establish a cash management functional group and activities that support the Chief Financial Officer to monitor and ensure CalPERS financial stability (9.7 - June 2013)

**Investment Expense Reporting** – Design and implement the Financial Office functions to account and report on Investment Expenses (9.8 - June 2014)

**Investment Reconciliation Process** – Develop and implement improved Investment Reconciliation processes (9.9 - June 2014)

**One Budget Model** – Develop one Enterprise budget to support enhanced resource management, Board oversight and operational efficiency, transparency, and accountability (9.10 - June 2014)



## **Goal C – Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs**

### **Strategic Objective – Clarify and communicate CalPERS perspective on pension, health and financial markets**

#### **Desired Outcome**

- Improved presence, voice and information sharing with stakeholder groups

**Strategic Initiative** – Establish principles and beliefs to guide public policy engagement by the System

#### **Business Plan Initiatives**

**Investment Beliefs** – Work with the Board to develop, define and communicate investment beliefs (10.1 - July 2013)

**Market Reform Priorities** – Work with the Board to develop, define and communicate market reform priorities (10.2 - February 2014)

### **Strategic Objective – Provide education and engagement opportunities to shape policy agenda and expand impact**

#### **Desired Outcomes**

- Increased engagement with policymakers on retirement issues
- Increased usage of CalPERS messages and materials
- Increased Board and Executive involvement with media and pension industry conferences
- Improved timeliness in responses to public records requests
- Recognized leadership in health care industry

**Strategic Initiative** – Develop new strategic partnerships with academic institutions, governmental organizations, non-profits, the financial sector and the California business community

#### **Business Plan Initiative**

**Strategic Partnerships** – Develop relationships with academia, California business community, and financial industry partners, through thought leadership initiatives (11.1 - June 2013)



**Goal C – Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs (cont.)**

**Strategic Initiative** – Develop a series of thought leadership initiatives that promote CalPERS priorities and policies

**Business Plan Initiative**

**Retirement Research and Planning** – Operationalize Retirement Research and Planning Division to expand leadership and policy expertise to members, employers, policymakers, partners, media and taxpayers on retirement issues (11.2 - June 2013)

**Strategic Initiative** – Elevate the profile of CalPERS Board of Administration and Executive Leadership through strategic involvement at industry and stakeholder events

**Business Plan Initiatives**

**Demonstrate Industry Leadership** – Increase opportunities for CalPERS Board Members and Executives to demonstrate industry leadership (11.3 - June 2014)

**Public Records Accessibility Policy** – Develop initiatives that increase transparency and accessibility of California Public Records Act requests (11.4 - June 2014)

**Strategic Initiative** – Strategic Plan Development and Administration

**Business Plan Initiatives**

**Strategic Performance Measures** – Develop target performance measures for the Strategic Plan (11.5 - September 2012)

**2012-17 Strategic Plan** – Create, receive Board approval, and deploy the 2012-17 Strategic Plan (11.6 - September 2012)

**Strategic Plan Business Plan Alignment** – Make necessary adjustments to align the 2012-14 Business Plan with the 2012-17 Strategic Plan (11.7 - October 2012)

For more information about the CalPERS Business Plan, visit CalPERS  
On-Line at [www.calpers.ca.gov](http://www.calpers.ca.gov) or call ESPD at (916) 795-3976.

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